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The Honorable William L. Dwyer

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

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| AT&T CORP.,<br><br>MCI TELECOMMUNICATIONS CORPORATION,<br><br>ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES.<br><br>McLEOD USA TELECOMMUNICATIONS SERVICES, INC.,<br><br>ICG COMMUNICATIONS, INC.,<br><br>GST TELECOM, INC.,<br><br>Plaintiffs,<br><br>v.<br><br>U S WEST COMMUNICATIONS, INC.,<br><br>Defendant. | No. C98-634 WD<br><br>**APPENDIX** |

**APPENDIX TO AT&T'S REPLY**

Appendix 1: Declaration of John A. McMaster

Appendix 2: Declaration of Clifford S. Holtz



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Appendix 3: Declaration of Charles Ward

Appendix 4: Declaration of Lewis M. Chakrin

Appendix 5: Excerpts from Reply Comments of U S WEST, Inc., In re Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act of 1934, as amended, CC Dkt No. 96-149, (August 30, 1996)

Appendix 6: Selected Documents Produced by Qwest Communications, Inc. **[FILED UNDER SEAL]**

Appendix 7: Teaming Agreement Between U S WEST Communications, Inc. and Qwest Communications, Inc., dated April 21, 1998 **[FILED UNDER SEAL]**

Appendix 8: Excerpted Pages From the Deposition of Stephen Michael Jacobsen dated May 28, 1998 **[FILED UNDER SEAL]**

Appendix 9: Excerpted Pages From the Deposition of Kathy Stephens dated May 27, 1998 **[FILED UNDER SEAL]**

Appendix 10: Selected Documents Produced by Qwest Communications, Inc. **[FILED UNDER SEAL]**

Appendix 11: Statement of FCC Chairman William Kennard on U S WEST/ Ameritech/Quest Agreement dated May 21, 1998

Appendix 12: Excerpts From Deposition of Michael Murphy dated May 28, 1998 **[FILED UNDER SEAL]**



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| AT&T CORP.,<br><br>MCI TELECOMMUNICATIONS CORPORATION,<br><br>ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES,<br><br>McLEOD USA TELECOMMUNICATIONS SERVICES, INC.,<br><br>ICG COMMUNICATIONS, INC.,<br><br>GST TELECOM, INC.,<br><br>Plaintiffs,<br><br>v.<br><br>U S WEST COMMUNICATIONS, INC.,<br><br>Defendant. | No. C98-634 WD<br><br>DECLARATION OF JOHN A. MCMASTER |

Pursuant to 28 U.S.C. § 1746, I, John A. McMaster, declare as follows:

1. I submit this Reply Declaration in further support of AT&T Corp.'s ("AT&T's") motion for an order requiring U S WEST Communications, Inc. ("U S WEST") immediately to



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cease the joint marketing of its local services and the long distance services of Qwest Communications International Inc. ("Qwest") or any other long distance carriers in the 14 States where U S WEST has local monopolies. My background is set forth in my prior declaration.

2. In this Reply Declaration, I will respond to claims that U S WEST has made in its Memorandum in Opposition to AT&T's Motion for a Preliminary Injunction and in the affidavits accompanying that Memorandum in Opposition, and address some of the discovery we have obtained since the preparation of my previous Declaration. In Part I, I will respond to U S WEST's assertion that its Buyer's Advantage Program with Qwest complies with the applicable equal access requirements because U S WEST has ostensibly offered to make the same agreement available to other carriers on the same terms as with Qwest. Specifically, I will show that the U S WEST/Qwest agreement has been structured in such a way as to make it impossible, as a practical matter, for AT&T to enter into it -- at least without incurring enormous economic and competitive penalties that Qwest does not incur. The power of U S WEST's monopoly, and the enormous competitive advantage any long distance carrier that partnered with it could secure, would give U S WEST the ability to dictate pricing, service standards, and all other critical issues that shape the long distance offering through take-it-or-leave-it marketing agreements with particular carriers, and in this instance it has shaped a take-it-or-leave-it agreement that AT&T could not conceivably sign. The result is a situation in which one long-distance carrier is substantially favored with the opportunity to obtain the enormous advantages of this marketing alliance while others are substantially disadvantaged by being effectively denied that same opportunity.

3. In Part II of this Declaration, I will explain that the discovery we have recently obtained shows that U S WEST is discriminating to benefit Qwest in its use of the carrier and customer information it has by virtue of its local monopoly to benefit Qwest, and abusing its position as the administrator of the system by which customers' pre-designated choices of long distance carriers are implemented. Specifically, U S WEST is using that information to market



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Qwest's service while denying that same information to other long distance carriers. This further illustrates the importance of adherence to equal access requirements and to the restrictions on BOC provision of interLATA services prior to the BOC's demonstration to the FCC that it has opened its local markets to competition, for it confirms some of the ways in which U S WEST can, and apparently will, abuse its monopoly position if it has the incentive to benefit one long distance carrier at the expense of others.

4. Finally, in Part III of this Declaration, I will respond to several miscellaneous claims made by U S WEST's witnesses.

## I. U S WEST's "Offer" To Enter Into A Marketing Alliance With AT&T On The Same Terms As Qwest Is Specious Because It Would Require AT&T To Agree To Foreclose Competition In Important Segments Of The Market And To Incur Enormous Financial and Competitive Penalties That Qwest Does Not Incur.

5. Because of U S WEST's monopoly, its alliance with a particular long distance carrier over others has enormous marketplace repercussions. Many customers find the idea of a package of local and long distance service, and the ability to engage in "one-stop shopping," highly attractive. and the bottleneck control U S WEST exercises over the local markets in its region means no long distance carrier can offer such a package (absent the unprecedented method challenged in this case). Indeed, I have always understood that one of the principal reasons the BOCs are prohibited from providing long-distance service while their local monopolies remain intact is to prevent them from foreclosing the market for bundled services in precisely this way -- by creating a packaged offer that no competitor could match.

6. Further, U S WEST's local monopoly means that its endorsement of a particular long distance carrier, and its grant of preferential access to its marketing channels, confers an exceptionally powerful advantage. For example, any customer in U S WEST's service areas that orders local service, additional local lines, new calling features, or even wants a new phone number or has a question about his or her local service, must call U S WEST's "customer care" channel -- its general telephone number for service orders and inquiries. <u>That same channel also serves as the principal means by which customers order long distance service.</u> Indeed, the power



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of that asset is such that, notwithstanding the hundreds of millions of dollars AT&T spends annually on proactive marketing efforts like telemarketing, direct mail, television and print advertising, and other sales through 800 numbers, a majority of AT&T customers nationwide sign up for AT&T through their local telephone company's customer care channel because it is the only place consumers can acquire their telephone numbers.

7. For the last fourteen years -- until the last two weeks -- AT&T and other long distance carriers have been able to rely on that channel to serve as a neutral conduit for customers to order their long distance service. In U S WEST's region, however, that channel's neutrality has now been corrupted and it will now serve as a marketing service for U S WEST's chosen long-distance carrier. While U S WEST states that it will continue to process the selections of customers that choose another carrier over its recommendation, and to read those customers a list of available carriers other than Qwest if the customers so request, it will now use its customer care channel, as well as other marketing vehicles, to expressly urge its customers to choose Qwest. The marketing materials U S WEST has provided through discovery show that U S WEST is now affirmatively using its customer care channel and other marketing channels in this way. See Exhibit A (appended hereto). Indeed, in one-third of the 93 test calls we made to U S WESTs customer care channel this week, when the U S WEST sales representative was asked generally "Who do you recommend (suggest) for long distance?", the sales representative specifically encouraged the customer to order service from Qwest.

8. U S WEST has defended the arrangement with Qwest as consistent with equal access requirements in part by asserting that it would make the same arrangement "equally" available to other long distance carriers on the same terms as it agreed to with Qwest. I explained in my previous affidavit (¶¶ 23-25) some of the ways in which this arrangement is inherently unequal, including the "first mover" advantage that U S WEST has conferred upon Qwest by entering into and implementing its agreement with Qwest alone in the first instance, and only then inviting other carriers to participate. The power of the alliance with U S WEST,



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and the extent of Qwest's advantage in being the only long distance carrier so favored, has since been vividly confirmed. In the first three days alone of this alliance, U S WEST announced that 40,000 customers had switched to Qwest under the Buyer's Advantage Program -- even though Qwest had not remotely achieved such success previously, when acting alone. More recently, U S WEST announced that 100,000 customers have now switched to Qwest -- when the alliance is only two weeks old. See Customer Demand Reaches 100,000 Mark for Buyer's Advantage Program (U S WEST Press Release) (May 27, 1998).

9. Moreover, since the filing of my previous affidavit, we have obtained and reviewed the US WEST/Qwest contract. That review has made it abundantly clear that U S WEST's claim that the contract is equally available to all long distance carriers is specious. It is as if a tailor, after custom-designing a suit for a particular individual, then claimed that everyone else was being treated equally simply because they all could purchase that very same suit. The U S WEST/Qwest agreement contains numerous provisions that are not problematic for Qwest, but that are "poison pills" for AT&T and that render the agreement absolutely unusable by AT&T.

10. Perhaps the most blatantly anticompetitive "poison pill" are the agreement's provisions on the increasingly competitive market segment for "intralata toll" calls. LATAs are the local areas within which the BOCs are permitted to provide service. "Intralata toll" calls are those calls within a LATA for which a toll charge is assessed (for example, calls from Seattle to Tacoma). Until recently, although other carriers have had the facilities necessary to provide intralata toll service, this market segment, like purely local calling, has been part of the BOC monopolies. That is because only the BOCs could offer customers 1+ dialing -- the ability to make calls by dialing 1 and then the telephone number -- while customers of other carriers would have had to dial several extra digits. That was an often dispositive disincentive for any customer to use any carrier other than U S WEST for intralata toll service. However, over the course of the last 2 years, approximately 20 States, including several in U S WEST's region, have ordered



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the BOCs to modify their facilities to enable their competitors, like AT&T, to provide 1+ dialing for intralata toll service as well.

11. In those States in which a level playing field has thus been established, AT&T and other long distance carriers have been having great success in eroding the BOC's monopolies in this market segment, and consumers have benefited greatly from the expanded choices this competition has generated. Indeed, AT&T now has 10 million customers signed up for intralata toll service, and this $7 billion market segment now generates revenue for AT&T of approximately $750 million a year.

12. Under Section 1.2 of the U S WEST/Qwest agreement, however, the package that is marketed by U S WEST <u>must</u> include U S WEST's intraLATA toll service, and U S WEST has stated that this item is non-negotiable. <u>See</u> Stephens Deposition, pp. 121, 124 (Exhibit B) (appended hereto). Further, Section 1.3 of that agreement then prohibits Qwest from engaging in any targeted marketing efforts for intralata toll service directed at customers of the package. Accordingly, for AT&T to enter into such a marketing alliance with U S WEST, it would have to agree to cede the intralata toll market to U S WEST. (Recall that most customers, as a result of its monopoly over local service, come to AT&T and other long distance carriers through U S WEST). Still worse, because AT&T would be required to pay a fee to U S WEST, purportedly to reimburse a portion of its "marketing costs" for the Buyer's Advantage Program, AT&T would be subsidizing U S WEST's intralata toll service in direct competition with AT&T's own intralata toll service.

13. This is apparently of no concern to Qwest, because its network, unlike AT&T's, is not configured to compete for intralata toll customers. As Qwest's President explained in response to press inquiries on the subject, "I'm not interested in intraLATA toll market right now. It doesn't match the assets I have. It is not a good business for me so I've chosen not to offer that." Press Conference Transcript, p. 5 (Exhibit C) (appended hereto). AT&T, by contrast, which has invested enormously in this service and has included it in every one of its marketing



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and sale channels, would now have to finance the marketing of its dominant competitor's (U S WEST's) service. AT&T could not agree to any such financial and competitive penalty, or such an anticompetitive and anticonsumer result.

14. The "Buyer's Advantage" package would also require that AT&T cede other market segments to U S WEST -- segments in which Qwest does not participate or to which it is otherwise indifferent, but in which AT&T has invested substantially and competes vigorously with U S WEST. For example, calling cards are a multi-billion dollar business for AT&T. AT&T's cards compete, however, with the calling cards issued by U S WEST, and Sections 1.2 and 1.3 of the Qwest agreement likewise reserve the calling card portion of the package to U S WEST. U S WEST's marketing materials show that customers of the Buyer's Advantage Program are sent U S WEST calling cards. See Exhibit D (appended hereto). Thus, if AT&T were to seek the benefit of being promoted through U S WEST's unique marketing channels, the price would again be that it agree to finance a marketing effort that would compete directly with AT&T's own products.

15. These competition-foreclosing aspects of the Qwest/US WEST agreement alone preclude AT&T's participation. At the same time, even if those aspects were not present in the agreement -- i.e., even if the package U S WEST marketed did not include products which long distance carriers like AT&T market in competition with U S WEST -- AT&T (and many similarly situated long distance carriers) still would be unable to sign that agreement without suffering serious competitive harms that Qwest will not suffer.

16. First, the Qwest agreement would require that AT&T conform to Qwest's pricing structure. AT&T believes that it offers higher value service than Qwest -- greater network reliability and capabilities, more responsive customer service, and so on -- and in some instances charges the higher price that it believes such service is worth. The flexibility to offer a range of high quality services is how we differentiate ourselves in the market, and AT&T charges prices that reflect the value of our services. U S WEST has made clear, however, that it has made a



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commitment to Qwest not to permit any carrier to enter into a marketing alliance with it if that carrier charges a higher price than Qwest, and that it will adhere to that commitment regardless of whether the service is of higher quality. Deposition of Kathy Stephens, p. 120 (Exhibit E) (appended hereto). By setting maximum prices for participation in these agreements, U S WEST has ensured that higher quality providers will, as a practical matter, be unable to participate unless they surrender the flexibility to design their service.

17. Second, the Qwest/U S WEST agreement is silent on the extent of marketing efforts that U S WEST will undertake on Qwest's behalf, leaving that to U S WEST's "sole discretion" (Section 2.7). This means that, if U S WEST were to enter into such agreements with multiple carriers, it would still be able to confer enormous discriminatory benefits on some of those carriers over others merely by deciding to market their services more aggressively than the services of others with whom it had reached such an agreement.

18. Moreover, even if U S WEST in that circumstance marketed AT&T's service more vigorously than other carriers' services -- as it might well do, given that AT&T's brand and reputation might make such marketing efforts more successful and U S WEST would thereby earn more per-customer fees -- that might well harm rather than help AT&T. Unlike Qwest, which obtains few customers through the normal carrier selection process, many of the customers that might sign up for a package offered by U S WEST and AT&T under such an agreement would have signed up for AT&T without any such package. Under the agreement, however, AT&T would be required to pay a fee to Qwest for the same customers it would have acquired in the absence of the agreement -- indeed, in some instances, to pay a fee to Qwest for transferring pre-existing AT&T customers from an AT&T plan to Buyer's Advantage. Further, AT&T would suddenly be barred by Section 3.4 of the agreement, which limits the uses to which the parties may put information about the package's subscribers, from targeting other marketing campaigns for other services at those same customers. This would constitute an additional competitive penalty with respect to the many customers whom AT&T would have likewise won



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even in the absence of the agreement and who thus would not otherwise have been subject to additional marketing restrictions.

19. Third, AT&T markets and sells many of its services in a single "point of sale bundle." In other words, AT&T's sales representatives attempt to "cross-sell" a range of products -- long distance service, intralata toll, calling cards, personal 800 service, wireless, Internet, and others -- in a single contact with the potential customer. If, for example, a customer calls to order a long distance service discount plan, our representatives do not end the call when that sale is completed, but instead inquire about -- and are prepared to address -- any interest the customer may have in other AT&T products. AT&T expended $85 million in 1997 to teach its "customer care" personnel -- who previously were merely responding to customer inquiries -- how to act proactively as salespersons and market and sell the broad range of AT&T products in this way.

However, if, in order to avoid being competitively disadvantaged by Qwest's preferential access to U S WEST's marketing and local service, AT&T were compelled to enter into an arrangement with U S WEST that paralleled the Qwest arrangement, U S WEST would then be duplicating many of the marketing functions that currently are handled internally at AT&T. AT&T would then have to either downsize its marketing force and lay off personnel in whom it had invested substantially over the years, or incur substantially excessive and duplicative marketing costs. At the same time, because U S WEST would be assuming some but not all of AT&T's marketing functions, AT&T would no longer be able to take advantage of the efficiencies that come with marketing a range of services in a single point of sale, and would not, as a matter of economics, be able to market services like intralata toll and calling cards to the same degree as it does today.

20. More fundamentally, dismantling its marketing infrastructure is not a realistic option for AT&T. AT&T has devoted massive resources to positioning itself to enter the local market in U S WEST's territory, and in the territories of the other BOCs, and ultimately to



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provide "one-stop shopping." That has not been possible yet because the Telecommunications Act prohibits such joint marketing by AT&T for a period of time that has not yet expired, and because, in any event, U S WEST has failed to comply with its statutory obligation to open its local market to competition and make broadbased local exchange competition possible. If and when those constraints are eliminated -- at which point, as long as it satisfies the other statutory prerequisites, U S WEST will itself be permitted by the FCC to enter the long distance market under Section 271 of the Act -- AT&T intends to use its technical and marketing expertise to compete aggressively against U S WEST, which likewise will be offering one-stop shopping. Yet in order to avail itself of the extraordinary short-term advantages conferred by the Qwest agreement and to avoid the competitive disadvantage of being excluded from that relationship, AT&T would have to help build up U S WEST as the perceived provider of one-stop shopping today among customers within U S WEST's region, while at the same time diminishing its own marketing operations in ways that could not quickly or easily be reversed once the marketing alliance terminated and AT&T and U S WEST began competing head to head.

21. For all these reasons, it appears quite clear that U S WEST has designed an agreement that favors small carriers with a narrow scope of services that do not include intralata toll -- the carriers that pose the least significant competitive threat to U S WEST, today or in the near future -- over larger carriers that represent a more significant long-term competitive challenge. The reality is that every long distance carrier's operations are different. Any time an agreement like this one is designed, some carriers will be far better able to conform to its terms than others, and those carriers will be in a favored position when it comes to taking advantage of this kind of opportunity. For example, if U S WEST were willing to customize an arrangement for AT&T, its current competitor in the intralata toll market, the same problem I am addressing here would arise in reverse, because it would likely be as difficult for Qwest to accept an agreement tailored to AT&T as for AT&T to accept one tailored to Qwest.



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## II. U S WEST's Discriminatory Use of Customer and Carrier Information And Abuse of its Role as PIC Administrator

22. One of the reasons the restriction on providing interlata services and the equal access requirements are so essential is that U S WEST and the other monopoly local exchange carriers play critical roles as the "PIC administrators" within their regions. PIC stands for "primary interexchange carrier," and it refers to the customer's pre-designated choice of long distance carrier. In order to effectuate that choice, U S WEST must send software instructions to its switch so that each customer's long distance calls will be routed to the network of his or her chosen long distance company.

23. U S WEST thus maintains a database that lists all its local customers and the PIC that each has chosen. In some instances -- such as when the customer chooses a long distance carrier at the same time he or she orders local phone service from U S WEST -- U S WEST will obtain that information from the customer directly. In other instances -- such as when a customer calls AT&T and informs AT&T that he or she wishes to subscribe to AT&T's long distance service -- the long distance carrier (in this example, AT&T) will inform U S WEST of the customer's new PIC. U S WEST receives that information only because, as the local monopoly, it must program its switches to route calls correctly; it does not gain that information through marketing efforts of its own.

24. This database would have enormous value to long distance carriers marketing their services, because the identity of a customer's existing carrier can be extremely useful in tailoring a sales pitch seeking to persuade the customer to switch carriers. U S WEST refuses to permit AT&T -- and presumably other long distance carriers -- access to this database. Moreover, ever since the beginning of 1997, U S WEST has even refused to give AT&T an updated list of names and telephone numbers of potential customers in the region that does <u>not</u> identify their long distance carriers. At the same time, however, its sales representatives who market Qwest's service <u>are</u> being given access to the PIC database. In several of the marketing scripts that U S WEST is using and that we have been given in discovery, the sales representative



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is directed to make specific reference to the customer's PIC, stating that "I see you have long distance company XYZ on your existing line(s)" before trying to sell the customer Buyer's Advantage. See Exhibit F (appended hereto). The U S WEST marketing scripts further appear to indicate that U S WEST is marketing Qwest's service to customers at "non-published" numbers. See Exhibit G (appended hereto). Again, using access to those numbers -- which no long-distance carrier can obtain, and which U S WEST possesses solely by virtue of its monopoly position -- to benefit a single long distance carrier is severely discriminatory and abusive.

**III. Responses to Other U S WEST claims.**

25. Ms. Stephens' affidavit for U S WEST indicates (¶ 21) that AT&T has recently noted the possibility of entering into a marketing alliance with one or more BOCs, and Ms. Stephens implies that this indicates that the Qwest agreement is equally available to carriers other than Qwest and that AT&T is not being harmed by it. Any such implication would be false. If, contrary to AT&T's view, this agreement is not deemed unlawful, AT&T will then have to take all available steps to mitigate the harm the agreement and the similar one between Qwest and Ameritech are causing. Such steps could include seeking similar arrangements with BOCs in other regions -- but under terms that, in contrast to the U S WEST/Qwest and Ameritech/Qwest agreements, would be suitably tailored to AT&T's business. That business reality in no way changes the harm AT&T is suffering within U S WEST's region right now, or alters the fact that, as a practical and economic matter, AT&T is unable to enter into the same agreement as Qwest.

26. Ms. Aguilar maintains (¶¶ 17-20) that U S WEST cannot discriminate against individual long distance carriers in the provision of access services because its network is automated and the software that routes calls and schedules maintenance does not enable individual carriers to be favored over others. The FCC has expressly rejected the claim that the



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automated nature of these systems obviates concerns about discrimination.[1] In all events, Ms. Aguilar has limited her discussion to"plain vanilla" long distance calls. Even if her point were valid in that context, she has simply ignored all the circumstances in which the provision of access services is not at all automated but is, to the contrary, based on highly subjective and discretionary decisions by the BOC. In particular, when AT&T develops a new service or an enhancement on an existing service, it must often go to U S WEST in order to have U S WEST design a new access arrangement to support the new service. There is an enormous range of competence, speed, and reliability with which U S WEST can choose to complete that task, and even Ms. Aguilar does not and cannot provide any reason for believing that U S WEST is incapable of acting in a discriminatory fashion in such circumstances. One of the principal reasons the 1996 Act, and before that the consent decree, prohibit a BOC from entering the long distance market while they retain their local monopolies is to remove the incentive to abuse those monopolies in precisely that way.

27. Mr. Jacobsen of Qwest states that he does not believe that U S WEST is "providing" the long distance services because it is using Qwest's facilities and will mention Qwest's name. I leave it to the attorneys to address the legal definition of "provide." From a customer perspective, U S WEST is plainly "providing" this service. It is contacting the customer to make the offer; it is including the service as part of a U S WEST package; it is billing the customer; and it is handling much of the subsequent "customer care" contacts by calling the customer periodically to determine whether the customer is satisfied with the service. From a customer's viewpoint, all of that is part of the "service" he or she receives and it is likely that many if not most customers will think of it as a US WEST service. Indeed, from the customer's perspective, U S WEST will look exactly like a resale carrier -- a carrier that lacks facilities of its own, but purchases service from a carrier like AT&T and then resells that service to customers. Often such resellers will explain to customers that they use AT&T's facilities --

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[1] See Non-Accounting Safeguards Order, 11 FCC Rcd. 21905 (1996), ¶ 243.



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just as U S WEST states that it is using Qwest's facilities -- in order to assure the customer of the quality of the service, and even U S WEST agrees that resale carriers are nonetheless "providing" the long distance service. See U S WEST Brief, p. 20 (a carrier can "provide" service "by purchasing access to another carrier's network"). Indeed, the inevitable consequence of this arrangement is that numerous customers will become confused and believe that they are purchasing long distance service from U S WEST today. For example, when Ameritech announced a parallel deal with Qwest, the Chicago Tribune headline stated: "Ameritech To Offer Long Distance." Chicago Tribune, May 14, 1998 (Exhibit H) (appended hereto).

Finally, Mr. Jacobsen also states (¶ 7) that Qwest "does not have the name brand recognition and financial resources to compete at [the] level" of AT&T and MCI, and that it therefore needed to partner with the local monopoly in order to market its service. But no company starts out with broad name brand recognition or financial resources. If Qwest offers a good product that customers might wish to purchase, it can do what every other company does -- raise the necessary capital and market its product, and become known among consumers through these traditional, pro-competitive means. Notably, while AT&T has a very strong brand today, that was not always the case. When the Bell System was broken up, AT&T fought hard -- and unsuccessfully -- to acquire the right to use the Bell name, because the name AT&T, while well known in the financial community for its stock, had very little recognition among consumers. But AT&T made a substantial investment in marketing and advertising, and over time developed a brand name that is associated with quality. MCI, Sprint, and Worldcom likewise did not start out with strong brands, but developed them. Contrary to Mr. Jacobsen's suggestion, there is no reason Qwest cannot follow the same path.



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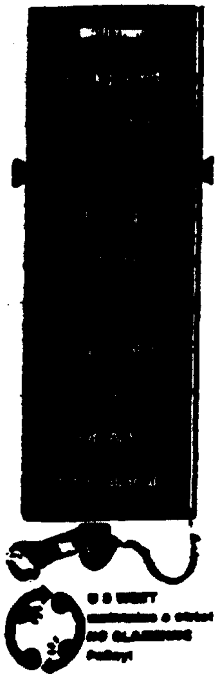
I declare under penalty of perjury that the foregoing is true and correct. Executed on May 29, 1998.

John A. McMaster

A



**Scripting for offering with Qwest:**

"Now that we have taken care of ________________________, as your **single point of contact**, I can now help with not only local service, but also in-state and state-to-state long distance service from Qwest Communications as well."

"U S WEST Communications has teamed up with Qwest Communications to offer you and your company a single point of contact for all your communication services."

"You have a choice of many long distance carriers, but if you selec Qwest Communications...

- your state-to-state (or interstate) rates will be $.10 per minute,
- 24 hours a day, 7 days a week and
- your in-state (or interLATA) rates will be $.12 per minute, 24 hours a day, 7 days a week."

"There are . . .

- no monthly fees
- you will have only one bill - your U S WEST Communications phone bill
- there is no monthly minimum charge and
- currently the carrier change charge of $5.00 per line is being waived."

"Would you like me to sign you up for the Qwest long distance service?

**If Yes:** "Would you like to take advantage of this savings on any other accounts? Your effective date will be ________________." (See Ordering section for due dates by state)

**If No:** "Are there any questions that I have not addressed for you?"

"Is there anything else I can help you with today?"

**If Yes:** Proceed to address any new customer issues. Any changes with a different due date, should be on a separate order from the Qwest service offering.

**If No:** "Thank you for your business."

The Honorable William L. Dwyer

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

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|---|---|
| AT&T CORP.,<br><br>MCI TELECOMMUNICATIONS CORPORATION,<br><br>ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES,<br><br>McLEOD USA TELECOMMUNICATIONS SERVICES, INC.,<br><br>ICG COMMUNICATIONS, INC.,<br><br>GST TELECOM, INC.,<br><br>Plaintiffs,<br><br>v.<br><br>U S WEST COMMUNICATIONS, INC.,<br><br>Defendant. | No. C98-634 WD<br><br>EXHIBIT B TO DECLARATION OF JOHN A. MCMASTER<br><br>**FILED UNDER SEAL** |

**EXHIBIT B**



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TRANSCRIPT OF QWEST PRESS CONFERENCE
THURSDAY, MAY 14, 1998

**OPERATOR:** Welcome to our conference call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session. At that time if you have a question you will need to press the 1 followed by the 4 on your push button phone. As a reminder, this conference is being recorded today, Thursday, May 14, 1998. I would now like to turn the conference over to Mr. Lee Wolfe, Vice President of Industrial Relations for Qwest Communications. Please go ahead, sir.

**LEE:** Hello, everyone, and welcome to the Qwest conference call. As you are all aware, we announced a significant teaming arrangement with Ameritech this morning and with me to discuss this announcement and other recent related developments is Joe Nacchio, the President and CEO of Qwest; but, before we hear from Joe, I would like to caution you that this analyst call may contain forward-looking statements and management cautions that these forward-looking statements are based on current information and analysis and are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied. These risks and uncertainties are discussed in the company's filings with the SEC. Joe.

**NACCHIO:** Hey, thanks, Lee, and thank you all for joining us this morning. I know many of you saw the releases this morning or read the papers, so, you know essentially what the details of the arrangement are; but, let me just, I would like to briefly summarize that because I think there is a lot of misunderstanding, based on questions we continue to get, and then I would like to also jump into what I'm sure you're all interested in and that's why do we believe we can do this and how do we believe this is in the best interest of public policy. So, let me just jump in, first. The arrangement with Ameritech is similar to the one we announced a week ago with U S WEST, where we have essentially set up a teaming relationship for them to market our long distance services in their territory. It is not an exclusive arrangement either way. We do not have an exclusive that we will be the only long distance company because as you know they are precluded from doing that. They will make the arrangement available to all other comers if they want to come. Maybe we can talk about why the big carriers are not coming later. Secondly, I don't want to be exclusive either because I want to be able to protect myself in the future in terms of my own brand. I, as a matter of note, should point out because I know I'll get the question later, we have fundamental disagreements with our teaming partners here on 271. We don't believe they should be